


2/10 (10)

Town of Acton

Financial Update

Memo

To: The Board of Selectmen
From: John Murray 
Date: February 7, 2003
Re: Financial Information and Reports

1. **Free Cash** – It was an interesting few days with DOR concerning the certification of Free Cash. On Monday we received a call from our DOR rep. with a verbal certification of Free Cash at \$1.1 million. Steve and Karen pointed out the error of his ways and convinced him that Free Cash should be certified at \$3.1 million. While our rep. agreed, he stated that he would need approval from his supervisor prior to giving Acton a verbal certification. On Wednesday morning the supervisor called and provided us with our revised verbal certification at \$2.1 million. Once again Steve and Karen went to work and successfully negotiated a different verbal certification. We now have been informed that Acton's Free Cash has been verbally certified at \$3,358,663. Steve and Karen did a great job in negotiations.
2. **Revenue Collections** – Attached is a spreadsheet formatted to agree with the ALG Plan, which delineates our absolute collection position. Without comment the report may mislead the Board, rather than shed light on the subject. As such I have listed some points below, which are intended to clarify the report and add to the Board's understanding:
 - a. **Property Tax Collections** – Our average collection rate over the last two years is 99.6%. To-date our collection rate is 97.99%. The 1.6% differential represents \$497,000 to-date and \$662,944 at year-end. Two other factors need to be considered when evaluating the collection rate. A certain percentage of citizens settle their entire tax bill prior to December 31 for Federal and State tax purposes. I have not evaluated this year's experience vs. prior years.
 - b. **Excise Tax Collections** – The Town does not have an inventory of vehicles to determine the amount of excise tax due in any year. Further, Excise Tax is based on a deprecating basis based upon the age of the vehicle. The report indicates that we have collected in excess of \$435,969.08 to-date vs. a budget of \$2,725,000. The amount collected to-date represents collection of prior year taxes. These prior year taxes for the most part were not past due collections. In FY '02 we collected \$590,632 of prior year excise taxes.

We have just received from the Registry a set of billing information for FY '02 in the amount of \$51,257.55. Citizens will receive their first

notice of this tax in the next ten days. In addition, we received our first billing information of FY '03 in the amount of \$1,826,192.50. Again, these bills will be issued in the next ten days. The first billing tape for FY '02 was in the amount of \$1,835,967.50. While we see reductions vs. last year, it does not necessarily mean anything because we will not know what percentage of the total to be levied in FY '03 is represented by the first billing tape until next year at this time.

- c. **Fees** – Fee collection unlike Property taxes is concentrated around three time periods. Licenses, such as your liquor and vehicle sale licenses are grouped around the first of the calendar year. Building fees are grouped around the construction season and Planning Fees tend to be generated in the off-construction season time period. Consequently we expect a majority of our fee income to be recognized prior to March 1 and this year is not different. This year we have collected 76.9%, while at the end of January last year we had collected 82%. If this trend was to continue we would experience a \$42,000 shortfall.
- d. **Interest Income** – Unlike our other income streams interest income is normally distributed among the months. Six months of income has been booked (50%) vs. an actual collection rate of 39% this year. If the present trend was to continue, we would be short \$80,000 at the end of the year.
- e. **State Aid** – We have collected 50% of the original Cherry Sheet amount. The State has informed the Town that it will apply the reduction of \$135,000 equally between the remaining two distributions.
- f. **CPA Collections** – The total amount of CPA Surcharges to be billed in FY '03 is \$478,344.21. The amount billed to-date is \$239,200.92. Collections to-date amount to \$227,250.51, which represents a collection rate of 95%.

3. **ALG Plan**

- a. The attached ALG plan is in compliance with Mary Ann's spreadsheet.
- b. The School spending numbers should be considered final as a total but not as individual components.
- c. Free Cash contributions have been decreased to off-set the savings generated by the Minuteman Assessment being less than the estimate carried in prior iterations of the ALG Plan.
- d. FY '06 has been included tonight, I expect it will be deleted from the Plan due to the extreme volatility contained in a Plan attempting to forecast that far into the future in the current economic environment.
- e. The Board will notice small surpluses in each year. These surpluses were generated by a Minuteman assessment, which was less than the previously carried estimate. I expect that the surpluses will result in less Free Cash being applied in each year.
- f. Health Insurance rates have been set by the Trustees, after receiving guidance from representatives of the Board, the School Committees,

and the Finance Committee. Blue Cross will increase in FY '04 by 30%, Harvard by 22%, and Medex by 20%. The percentage rate increases accompanied by the absence of any premium holidays sum to the gross percentage increases that have been carried in previous ALG Plans.

- i. The current splits between the entities is based upon an assumption of gross increases of 51% in FY '04, 53% in FY '05 and 35% in FY '06.
 - 1. The parties have agreed to readjust budgets in all three years, for the effect of individual plans increasing at different rates. This means if the Town's expenditures based upon census counts would increase in any year less than the gross percentage increase and the Schools were to increase more, then the total amount allocated, then the Town's ALG allocation would be decreased and transferred to the Schools. The same would be applied to the decreasing the School allocation if the scenario was reversed.
- ii. As a point of information, I have attached segments of last year's Arbitration Decisions for Police and Fire concerning how the arbitrator's view of compensation affected his decision. Please note the same arbitrator wrote both decisions.

Collection Report
7/1/02 - 02/04/03

	Budget	Collected thru 2-04-03	Difference	% of Budget Collected thru 02-04-03
Local Aid (revised)	\$ 4,154,000.00	\$ 2,145,802.74	\$ 2,008,197.26	51.7%
Property Tax	\$ 41,920,976.00	\$ 30,847,891.48	\$ 11,073,084.52	73.6%
Motor Vehicle Excise	\$ 2,725,000.00	\$ 435,969.08	\$ 2,289,030.92	16.0%
Fees for Services	\$ 825,000.00	\$ 634,375.65	\$ 190,624.35	76.9%
Interest Income	\$ 400,000.00	\$ 157,282.51	\$ 242,717.49	39.3%
Total	\$ 50,024,976.00	\$ 34,221,321.46	\$ 15,803,654.54	68.4%

This Plan Contains Early Estimates of Highly Volatile Numbers, which are Subject to Change.
Also these Numbers are **NOT** Presented in the Legal Format Required by Town Meeting.

Numbers in Thousands		FY01	% Chg. 00-01	FY02	% Chg. 01-02	FY03	% Chg. 02-03	FY 04	% Chg. 03-04	FY 05	% Chg. 04-05	FY 06	% Chg. 05-06
Revenues		\$45,913	\$0	\$50,637	\$0	\$51,587	\$0	\$57,194	\$0	\$61,338	\$0	\$64,734	\$0
C. Petitions/Other		\$0	#DIV/0!	\$0	#DIV/0!	(\$5)	#DIV/0!	(\$1)	(\$0)	(\$1)	(\$0)	(\$1)	\$0
Municipal Expenses		(\$16,093)	5%	(\$17,058)	6%	(\$16,876)	-1%	(\$19,151)	13%	(\$20,267)	6%	(\$21,151)	4%
Educational Expenses		(\$29,820)	10%	(\$32,767)	10%	(\$34,479)	5%	(\$38,007)	10%	(\$41,018)	8%	(\$43,506)	6%
Total Over/(Short)		<u>(\$0)</u>	n/a	<u>\$812</u>	n/a	<u>\$227</u>	n/a	<u>\$36</u>	n/a	<u>\$52</u>	n/a	<u>\$76</u>	n/a

ALG Estimation Worksheet

2/7/2003

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Numbers in Thousands	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Revenues							
Property Taxes							
Previous Year's Levy	\$ 32,647	\$ 34,450	\$ 36,235	\$ 38,140	\$ 39,984	\$ 44,758	\$ 46,577
2 1/2 % Growth	\$ 816	\$ 861	\$ 906	\$ 954	\$ 1,000	\$ 1,119	\$ 1,164
Net Debt Exclusions	\$ 973	\$ 1,917	\$ 2,315	\$ 1,941	\$ 2,833	\$ 3,996	\$ 4,153
New Growth	\$ 986	\$ 924	\$ 999	\$ 890	\$ 775	\$ 700	\$ 650
Proposed Override/Capacity Not Taxed	\$ -	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ 3,000
Pension Fund			\$ 690				
Overlay	\$ (500)	\$ (500)	\$ (271)	\$ (500)	\$ (500)	\$ (500)	\$ (500)
Net Tax Levy	\$ 34,922	\$ 37,651	\$ 40,874	\$ 41,424	\$ 47,092	\$ 50,073	\$ 55,045
Non-Tax Revenue							
Cherry Sheets (Detail on Sheet 2)	\$ 3,524	\$ 4,288	\$ 4,162	\$ 4,288	\$ 4,691	\$ 4,667	\$ 4,643
Local School Choice Income							
Motor Vehicle Excise Tax	\$ 2,285	\$ 2,361	\$ 2,716	\$ 2,725	\$ 3,000	\$ 3,060	\$ 3,121
Municipal Fees for Services	\$ 1,331	\$ 1,331	\$ 1,586	\$ 825	\$ 825	\$ 825	\$ 825
Interest Income Town (w/o bond proceeds)			\$ 524	\$ 400	\$ 400	\$ 400	\$ 400
Free Cash Contribution (Detail on Sheet 3)	\$ 698	\$ 282	\$ 315	\$ 1,925	\$ 1,187	\$ 2,313	\$ 700
Other	\$ -	\$ -	\$ 460	\$ -	\$ -	\$ -	\$ -
Total Non-Property Tax Income	\$ 7,838	\$ 8,262	\$ 9,762	\$ 10,163	\$ 10,103	\$ 11,265	\$ 9,689
Total Income	\$ 42,760	\$ 45,913	\$ 50,637	\$ 51,587	\$ 57,194	\$ 61,338	\$ 64,734

Plan Based upon
FY'02 State Budget
Chapter 70 Aid

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Town Cherry Sheet									
In Thousands of Dollars									
					Revised per	Revised per		Revised per	
					Final Cherry	Final Cherry		Final Cherry	
					Sheet	Sheet		Sheet	
FY	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06		
Chapter 70									
School Transportation	\$ 1,970	\$2,364	\$2,445	\$2,668	\$2,268	\$2,268	\$2,268	\$2,268	\$2,268
School Building Assistance Aid	\$ 115	\$ 118	\$ 146	\$ 131	\$ 112	\$ 112	\$ 112	\$ 112	\$ 112
School Building Assistance Aid	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,086	\$ 1,086	\$ 1,086	\$ 1,086	\$ 1,086
Tuition of State Wards	\$ 14	\$ 0	\$ 0	\$ 0					
School Lunch	\$ 5	\$ 2	\$ 10	\$ 11	\$ 10	\$ 10	\$ 10	\$ 10	\$ 10
High Growth Aid				\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total Education	\$2,105	\$2,484	\$2,601	\$2,811	\$3,476	\$3,476	\$3,476	\$3,476	\$3,476
Lottery	\$ 1,221	\$ 1,468	\$ 1,406	\$ 1,406	\$ 1,195	\$ 1,195	\$ 1,195	\$ 1,195	\$ 1,195
Add'l Assistance	\$ 37	\$ 37	\$ 37	\$ 35	\$ 30	\$ 30	\$ 30	\$ 30	\$ 30
Chap 81 Gas Tax	\$ 136	\$ 136	\$ 34	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Quinn Bill		\$ 75	\$ 70	\$ 79	\$ 67	\$ 67	\$ 67	\$ 67	\$ 67
Veteran's Benefits	\$ 4	\$ 2	\$ 3	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1	\$ 1
R.E. Tax Exemptions	\$ 33	\$ 32	\$ 32	\$ 31	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26
State Owned Land (PILOTs)	\$ 76	\$ 91	\$ 65	\$ 43	\$ 37	\$ 37	\$ 37	\$ 37	\$ 37
Library Aid	\$ 32	\$ 32	\$ 30	\$ 26	\$ 22	\$ 22	\$ 22	\$ 22	\$ 22
Total Municipal	\$1,538	\$1,875	\$1,677	\$1,621	\$1,378	\$1,378	\$1,378	\$1,378	\$1,378
Less Assessments									
Less Dedicated Town									
Less Dedicated School									
Net Cherry Sheet	\$3,524	\$4,288	\$4,162	\$4,288	\$4,691	\$4,667	\$4,667	\$4,667	\$4,643

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Free Cash in Thousands of Dollars									
	FY00	FY 01	FY 02	FY 03	FY 04	FY 05 *	FY 06 *		
Certified Free Cash (est)	\$ 1,956	\$ 2,057	\$ 2,247	\$ 3,603	\$ 3,359	\$ 3,583	\$ 3,583	\$ 2,096	
Dedicated Arbitrage Payback				\$ (150)		\$ -			
NET Certified Free Cash (est)				\$ 3,453	\$ 3,359	\$ 3,583	\$ 3,583	\$ 2,096	
Free Cash Offset To Municipal Spending	\$ 148	\$ -	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ -	
Free Cash Offset To Local School Spending	\$ 550	\$ 398	\$ 84	\$ 725	\$ -	\$ -	\$ -	\$ -	
Free Cash Offset to A-B Regional Spending	\$ -	\$ 392	\$ 141	\$ 1,200	\$ 2,000	\$ 2,000	\$ 2,000	\$ -	
Free Cash Offset to Other Expenditures	\$ -	\$ (508)							
Total Free Cash Contribution	\$ 698	\$ 282	\$ 315	\$ 1,925	\$ 1,187	\$ 2,313	\$ 2,313	\$ 700	
Free Cash Contribution as a % of Cert. Balance of the preceding calendar year	35.68%	13.72%	14.02%	53.44%	35.34%	64.55%		33.40%	
Remaining Free Cash as a % of Expenditure	#VALUE!	3.87%	3.88%	3.27%	3.80%	2.22%		2.28%	
REMAINING FC BAL	\$ -	\$ 1,775	\$ 1,932	\$ 1,678	\$ 2,172	\$ 1,270	\$ 1,270	\$ 1,396	
Total Expenditures	\$ -	\$ 45,913	\$ 49,825	\$ 51,587	\$ 57,159	\$ 57,194	\$ 57,194	\$ 61,286	
Remaining Free Cash as a % of Expenditures		3.866%	3.877%	3.252%	3.7993%	2.221%		2.2777%	
* Estimated Certified Free Cash is determined by the Fincom approved model of remaining balance times 1.65									

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JOHN T. DUNLOP
CHAIRMAN

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COPY
The Commonwealth of Massachusetts

Joint Labor - Management Committee

for Municipal Police and Fire

One Ashburton Place

Room 610

Boston, Massachusetts 02108

NOV 20 2001

(617) 727-9690

FAX: (617) 727-5786

November 16, 2001

Richard H. Anderson, Jr., Chief Negotiator
International Brotherhood of Police Officers
159 Burgin Parkway
Quincy, MA 02169

Paul J. Hodnett, Esquire
Kingston & Hodnett
One McKinley Square
Boston, MA 02109

RE: Local 334, International Brotherhood of Police Officers
And the Town of Acton JLMC-01-06P

To the Parties:

The Joint Labor-Management Committee has received and forwards copies of the Arbitration Award in the above-referenced matter. Upon receipt of the Award, the parties are encouraged to meet in order to exchange views on an appropriate joint statement or to share with one another any independent statements prior to public disclosure of the Award.

If you have any questions, please do not hesitate to contact the Committee.

Very truly yours,

James P. Costello
Senior Staff Representative
for Labor

Donald P. Hawkes
Senior Staff Representative
for Management

Enclosure

c: J. T. Dunlop
M. A. Horowitz
D. J. Morgado
G. Flynn, Jr.
H. Danis, Jr.
M. Aicardi
S. Polzin
T. Rogers
P. King
D. Johnson
T. Widmayer
G. Altman, Esq.

Chelmsford, Littleton, Boxborough, Carlisle and Westford should also be used for considering wages and benefits. The Union, on the other hand, also believes that the communities of Wilmington, Winchester and Burlington should be added.

There is no right or wrong answer in deciding which communities are in fact comparable. Comparability does not mean that the communities must be equivalent in each and every respect. There may be reasons to compare various conditions of employment that exist for Acton police officers with the police officers in a large number of municipalities. For example the facts may show that there is a consistent state-wide trend in working hours or shift schedules for police officers. Thus, a comparison with a large number of communities would be most relevant in this regard.

In the present case, the parties agreed to Concord, Stowe, Lincoln, Sudbury and Westford. This is a sufficient number of communities to consider wage trends. It should also be stated that even when considering the list of communities presented by both the Town and the Union this would not change the results of this Decision.

A review of the base wage rates shows:

<u>Community</u>	<u>7/1/99</u>
Boxborough	\$36,546
Burlington	\$40,149
Carlisle	\$38,952
Concord	\$40,535
Lincoln	\$38,268
Littleton	\$39,227
Maynard	\$36,613
Stow	\$38,380
Sudbury	\$38,228
Westford	\$38,298
Wilmington	\$38,262
<u>AVERAGE</u>	<u>\$38,631</u>

Acton (with Quinn) \$36,757

There can be no question that the base wages of Acton

Police officer are lower than wages provided to police officers in neighboring communities. Wage rates alone, however, do not show the overall compensation paid to employees. Specifically, one must consider other economic benefits paid to employees. The most costly employee benefit is health insurance. The Town now pays 85% of the cost of health insurance premiums. There can be no question that with the Town paying 85% of the cost of this benefit, Acton police officers have a very desirable level of health insurance coverage, and a very good economic benefit. Employees' co-pay levels of health insurance in surrounding communities ranges from 50% to 75%. Therefore, although the wage rates for Acton police officers are the among the lowest in the region, the benefit of 85% employer paid health insurance makes up, to large extent, the low wage rates of Acton police officers. This demonstrates why simply looking at wages without considering other economic benefits does not provide an accurate picture of an officer's total compensation.

The recent wage adjustments in the communities is as follows:

<u>Community</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Boxborough	5%	4.6%	
Burlington	3%	0%	2.5%
Carlisle	2%	3%	
Concord	2.5%		
Lincoln	3.5%	3.5%	
Littleton	3%	3%	
Maynard	4%	4%	
Stow	3.5%		
Sudbury	2%+2%	3.5%+\$40 STEP	3.5%
Westford	4.6%	3%	3%
Wilmington	<u>2.5%</u>	<u>3.5%</u>	<u>3%</u>
AVERAGE	3.4%	3.1%	

In addition the recent wage adjustments in the Town reflect on the Town's ability to pay. The wage adjustments for that period of time of Acton employees shows:



JOHN T. DUNLOP
CHAIRMAN

The Commonwealth of Massachusetts
Joint Labor - Management Committee
for Municipal Police and Fire
One Ashburton Place
Room 610
Boston, Massachusetts 02108

(617) 727-0000
FAX: (617) 727-5766

February 19, 2002

Paul J. Hodnett, Esquire
Kingston & Hodnett
One McKinley Square
Boston, MA 02109

Joseph G. Sandulli, Esquire
Sandulli, Grace, Shapiro, Horwitz & Davidson
40 Broad Street - Suite 830
Boston, MA 02108

RE: **Town of Acton, and**
Local 1904, International Association of Fire Fighters JLMC01-06F

To the Parties:

In accordance with your joint request by letter dated February 7, 2002, enclosed please find a copy of Arbitrator Altman's response regarding clarification of the Arbitration Award in the above-referenced case.

Very truly yours,

James P. Costello
Senior Staff Representative
for Labor

Donald P. Hawkes
Senior Staff Representative
for Management

c: J. T. Dunlop
M. A. Horowitz
D. J. Morgado
T. A. Welch
R. Armstrong G. Altman, Esq.
H. Danis, Jr. B. Stone
S. Polzin D. Johnson

RECEIVED FEB 20 2002

As the above chart shows, there can be no question that the base wages of Acton Firefighters are lower than the wages provided to firefighters in neighboring communities. Wage rates alone, however, do not show the overall compensation paid to employees. The parties disagree as to the significance of health insurance and overtime when assessing the overall compensation of Acton Firefighters. The Town maintains that when overtime opportunities and the employees' share of health insurance are considered, the total compensation of Acton Firefighters is among the highest in the region. The Union, on the other hand contends that overtime is not a guaranteed benefit and should not be considered when comparing wages and benefits. In addition the Union states that what should be considered is the low health insurance premium rates paid by the Town and not the co-pay levels paid by employees, when considering the compensation levels of Acton Firefighters.

The panel agrees that overtime opportunities should not be considered when considering the total compensation of Acton Firefighters. Overtime is not within the standard work week of employees. It is a variable that is based entirely on the Town's discretion, unlike wages and benefits. Moreover, it is based on the staffing levels of the department, which could change at any point in time. Moreover, it is difficult to compare overtime opportunities in different communities, as each community has different overtime policies based on the needs of the particular community.

Employee co-payment amounts for health insurance are, however, an important component in determining the overall compensation of employees. The focus should be on the employee's compensation levels. The lower the cost of health insurance co-pay levels for an employee means that the employee will have more money in his or her pocket; that is, increased take home pay. Stated in other words, large co-payments will decrease the overall earnings of an employee as more money is deducted from the employee's wages to pay for this benefit.

At the present time Acton Firefighters paying only 10% toward the cost of health insurance pay an average of \$691.00 per year (FY-2000). This compares with the thousands of dollars paid by firefighters in the surrounding communities. Thus, as was the case with Acton Police, the lower base wages paid to Acton Firefighters is in large part made up by the low health insurance co-pay levels paid by employees.

The wage adjustments for that period of time for Acton public employees shows:

	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>
Municipal Non-Union	3%	3%	
Highway	3%	4%	3.5%
Schools	3%	3%	3.5%
Police Arbitration Award	3%	4%	3.5%

The question that must be addressed is whether there is some compelling justification to award a different wage increase than was recently awarded in the Police Arbitration and agreed to with Town's highway employees. It was stated in the Police Arbitration Decision:

The data further shows that over the years there has not been exact parity in wage increases for all Acton public employees. Nonetheless, although there has not been exact parity, for bargaining units there has been relative similarity in overall wage settlements over the last four years.

The Town's proposal of 2.75% over a three year time period is considerably lower than was agreed to with the other Town Unions; is lower than was recently awarded in the Police Arbitration and is lower than the pattern of wage settlements in the above list of comparable communities over the same time period. Similarly, the Union's revised proposal of 4.5% is higher than was agreed to with the other Town Unions, it is higher than was recently awarded in the Police Arbitration and is higher than the pattern of wage settlements in the above